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Budget Digest

Ranking Member Steve Womack

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BUDGET DIGEST: AN UPDATE TO THE CBO BUDGET AND ECONOMIC OUTLOOK

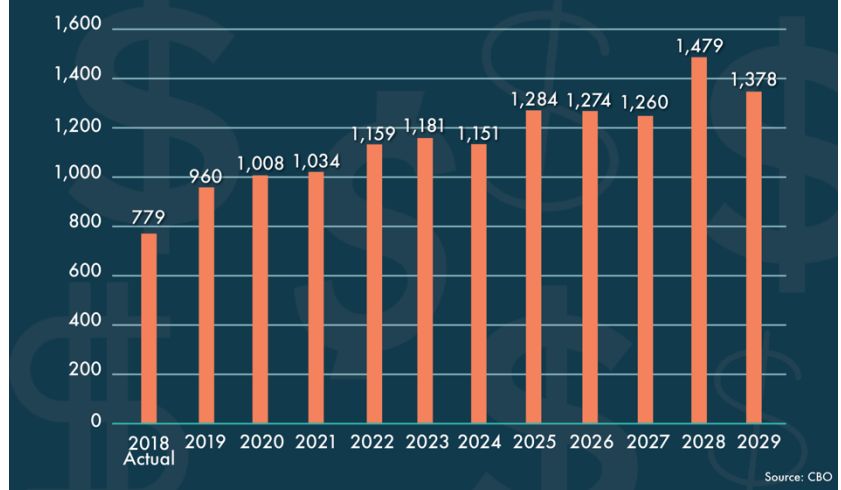
The Congressional Budget and Impoundment Control Act of 1974 (Budget Act) requires the Congressional Budget Office (CBO) to provide the House and Senate Budget committees with budget and economic projections of the federal government. Formally titled the *Budget and Economic Outlook* but commonly referred to as the “baseline,” CBO publishes and updates this report throughout the year. It includes a 10-year projection of federal spending, revenue, deficits, and debt assuming current laws and policies generally remain unchanged. The report also contains a forecast of key economic indicators such as changes in gross domestic product (GDP), inflation, interest rates, and unemployment, as well as detailed budget estimates for individual programs. CBO’s most recent baseline was released on August 21, 2019.

What are the updated baseline’s key conclusions?

CBO’s projections are sobering. The baseline projects deficits will rise dramatically, from \$960 billion in 2019 to \$1.4 trillion by 2029, if Congress does not act. Over the 10-year period, federal debt held by the public will surge from 79 percent to 95 percent of GDP – the highest debt level since just after World War II and more than twice the average level of the past 50 years. ***The out-of-control growth of direct, or mandatory, spending and interest on the debt are the major causes of higher deficits.***

According to CBO, federal spending will consume an ever-expanding share of total economic resources, rising from 20.8 percent of GDP in 2019 to 22.7 percent in 2029 – far exceeding the annual average of 20.3 percent over the past 50 years. Moreover, mandatory spending, including spending on net interest, is expected to account for 75 percent of total federal spending by 2029, squeezing out spending for important discretionary priorities. The baseline also projects strong revenue growth – federal revenues are estimated to be \$3.5 trillion in 2019, an increase of \$121 billion from last year, and are expected to reach \$5.6 trillion by 2029. Out-of-control mandatory spending – not revenue – is clearly the biggest fiscal challenge the nation faces.

Deficit Projection if Congress Does Not Act (\$ in Billions)



CBO released a separate report last month – at the request of Budget Committee Ranking Member Steve Womack – highlighting the impacts of various levels of federal debt on Gross National Product (GNP) and GNP per capita, a key indicator of a country’s wealth. CBO found that increasing federal debt harms per capita GNP, while reducing debt has the opposite effect and increases per capita GNP. Considering this report in conjunction with CBO’s updated baseline, it is clear that the dramatic growth of mandatory spending – which is fueling our rising deficits and debt – poses a large risk to our economy and nation.

How should Congress respond to the debt?

It is critical that policymakers advance legislation that reduces annual deficits and begins to address our nation’s debt. A vital first step is for Congress to address the core driver of our deficits: out-of-control mandatory spending. Unfortunately, Democratic leaders in the House and Senate have continued to introduce and endorse massively irresponsible new mandatory programs that will only serve to exacerbate the problem.